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December 1, 2022
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PUBLIC VERSION

December 1, 2022

CSXT/PAR-58

VIA E-FILING

Cynthia T. Brown
Chief, Section of Administration
Surface Transportation Board
Office of Proceedings
395 E Street, SW
Washington, DC 20423

**Re: STB Docket No. FD 36472, CSX Corporation and CSX Transportation, Inc., et al.—
Control and Merger—Pan Am Systems, Inc., Pan Am Railways, Inc., Boston and
Maine Corporation, Maine Central Railroad Company, Northern Railroad, Pan Am
Southern LLC, Portland Terminal Company, Springfield Terminal Railway
Company, Stony Brook Railroad Company, and Vermont & Massachusetts
Railroad Company**

Dear Ms. Brown:

Pursuant to *Decision No. 9* in the above-referenced proceeding, enclosed for e-filing is a public version of CSX's First Biannual Report, with appropriate redactions that the Board can place in its docket. We are concurrently filing a highly confidential version of the Report to be filed under seal.

Respectfully submitted,

/s/ Anthony J. LaRocca

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Peter W. Denton
Sally Mordi
*Attorneys for CSX Corporation and
CSX Transportation, Inc.*

Cynthia T. Brown
December 1, 2022
Page 2

Enclosures

cc: Louis E. Gitomer
All parties of record

CSXT/PAR-58

BEFORE THE
SURFACE TRANSPORTATION BOARD

DOCKET NO. FD 36472

CSX CORPORATION AND CSX TRANSPORTATION, INC., ET AL.
—CONTROL AND MERGER—
PAN AM SYSTEMS, INC., PAN AM RAILWAYS, INC., BOSTON AND MAINE
CORPORATION, MAINE CENTRAL RAILROAD COMPANY, NORTHERN RAILROAD,
PAN AM SOUTHERN LLC, PORTLAND TERMINAL COMPANY, SPRINGFIELD
TERMINAL RAILWAY COMPANY, STONY BROOK RAILROAD COMPANY, AND
VERMONT & MASSACHUSETTS RAILROAD COMPANY

OVERSIGHT

CSX'S FIRST BIENNIAL REPORT

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Dated: December 1, 2022

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 36472

CSX CORPORATION AND CSX TRANSPORTATION, INC., ET AL.
—CONTROL AND MERGER—
PAN AM SYSTEMS, INC., PAN AM RAILWAYS, INC., BOSTON AND MAINE
CORPORATION, MAINE CENTRAL RAILROAD COMPANY, NORTHERN RAILROAD,
PAN AM SOUTHERN LLC, PORTLAND TERMINAL COMPANY, SPRINGFIELD
TERMINAL RAILWAY COMPANY, STONY BROOK RAILROAD COMPANY, AND
VERMONT & MASSACHUSETTS RAILROAD COMPANY

OVERSIGHT

CSX’S FIRST BIANNUAL REPORT

In *Decision No. 9* in this proceeding, served on April 14, 2022, the Board¹ approved the application by CSXC and CSXT to acquire control of seven rail carriers owned by Pan Am Systems, Inc. (“Systems”), and Pan Am Railways, Inc., and to merge six of those PAR Railroads into CSXT (the “Merger Transaction”). The Board also approved a number of related transactions, one of which allowed Pittsburg & Shawmut Railroad, LLC d/b/a Berkshire & Eastern Railroad to replace Springfield Terminal as the operator of Pan Am Southern LLC, a 50/50 joint venture between Boston & Maine (a PAR Railroad now wholly-owned and controlled by CSX) and NSR. *Decision No. 9* became effective on May 14, 2022. As CSX previously reported to the Board, on June 1, 2022, CSX acquired Systems and CSX now owns and controls Springfield Terminal, Boston & Maine, and the other PAR Railroads. *See*

¹ The acronyms and defined terms used in this Report are the same as those used in *Decision No. 9* in this proceeding, served by the Board on April 14, 2022, or in the Revised Application filed in this proceeding on July 1, 2021.

CSXT/PAR-56, filed June 1, 2022. While CSX now controls those PAR Railroads, they have not yet been merged into CSXT.

In *Decision No. 9*, the Board ordered that “CSX shall file, starting six months from the closing date of the Merger Transaction and then lasting for two years (after which time the Board will determine if reporting should continue), the following data:

- Traffic volume by carload and ton-miles on the Patriot Corridor (i.e., the Northern Route), broken out by carrier account, haulage partner, and commodity at the 2-digit STCC level.
- Truck-to-rail conversions on the CSX lines subject to this proceeding.”

Decision No. 9, slip op. at 53. Pursuant to *Decision No. 9*, CSX submits this report on traffic volume on the Patriot Corridor and truck-to-rail conversions on the CSX lines subject to this proceeding. The facts and data presented in this report are verified by Michael Clements, Director of Business Development at CSXT.

I. Traffic Volume on the Patriot Corridor

Attachment A to this report contains “[t]raffic volume by carload and ton-miles on the Patriot Corridor (i.e., the Northern Route), broken out by carrier account, haulage partner, and commodity at the 2-digit STCC level.” *Decision No. 9*, slip op. at 53. The traffic volume totals listed in Attachment A consist of PAS movements over the Patriot Corridor (between milepost 467.4 at Mechanicsville, N.Y., and milepost 311.97 near Willows, Mass.) and the Rotterdam Branch (between milepost 12.16 at Rotterdam Junction, NY and milepost 0.0 (CPF 477) near Burnt Hills, NY). The data and traffic volume totals are designated as highly confidential, pursuant to the protective order in place in this proceeding.

II. Truck-to-Rail Conversions on the CSX Lines Subject to this Proceeding

The Board also seeks data showing “[t]ruck-to-rail conversions on the CSX lines subject to this proceeding.” *Decision No. 9*, slip op. at 53. To develop the requested data, CSX examined changes over time in the rail volumes of certain types of traffic that are particularly susceptible to truck-to-rail conversion. Such changes can provide a reasonable indication of possible truck-to-rail conversions. Railroads are particularly able to attract traffic from trucks based on two factors: length of haul and commodity type. For example, trucks have an inherent competitive advantage over rail for shorter movements, but trucks lose that advantage for longer movements. If the volume of certain long-haul traffic increases over a particular period of time, there is a reasonable basis for concluding that a rail carrier has been successful in attracting the traffic from truck competitors.

As the Board is aware, there is no existing source for precise data on truck-to-rail conversions other than anecdotal shipper reports. It would be impractical to collect or present more direct and movement-specific data on truck-to-rail conversions based on the decisions by individual shippers to choose rail shipments over trucks for particular movements. Due to the commercial sensitivity of information regarding such shipper-specific decisions on particular movements, it is unlikely that information sourced from individual shippers on their decision whether to use rail or truck for particular shipments would be reliable or accurate.

Therefore, for the purposes of this oversight report, CSX analyzed how carload volumes on the PAR System for “longer-haul” rail movements of certain commodities susceptible to truck-to-rail conversions changed from the six-month period prior to the close of the Merger Transaction (December 1, 2021 to May 31, 2022) to the six-month period following the close of

the Merger Transaction (June 1, 2022 to November 30, 2022).² Increases in volume for long-haul movements of commodities particularly subject to truck/rail competition could provide information suggesting that railroads had been successful in diverting truck traffic to rails.

The starting point for this methodology is the analysis of CSX's witness Mark Wallace submitted earlier in this proceeding, which identified commodities where potential truck-to-rail conversions were particularly likely. As Mr. Wallace explained, there are a number of commodities on the PAR system that are carried over "longer-haul" distances that can easily shift between rail and truck. *See* CSXT/PAR-24, Wallace Supplemental VS at 11 (filed Aug. 19, 2021). These are movements where improvements in efficiency of rail transportation are likely to result in shifts of traffic from trucks to rail.

Mr. Wallace defined "longer-haul" shipments where rail could compete best with trucks as movements beyond locations within New England or between New England and New York, New Jersey, or Pennsylvania, where trucks have an inherent advantage. *See id.* at 11 n.39. Consistent with Mr. Wallace's testimony, to identify potential truck-to-rail diversions, CSX assumed for purposes of this report that "longer-haul" shipments handled by PAR exclude all shipments on the PAR System within New England states (Connecticut, Massachusetts, Maine, New Hampshire, Rhode Island, and Vermont), and all shipments on the PAR System between those New England states and New York, New Jersey, Pennsylvania, Nova Scotia, New Brunswick, and Quebec. These shipments can be considered short-haul movements where trucks have a particularly strong competitive advantage over rail.

² Because this report is being made one day after the close of the June 1 to November 30 period, we used actual carload volumes from June 1 to November 15, and projected carload volumes from November 16 to November 30. We calculated the projections for November 16 to 30 by multiplying the actual volumes from June 1 to November 15 by 6/5.5.

In addition, Mr. Wallace identified the following commodities as most susceptible to truck-to-rail conversions: {{[REDACTED]}}. To identify potential truck-to-rail diversions, CSX looked at changes in traffic volume of these commodities handled in “longer-haul” movements. CSX excluded movements of {{[REDACTED]}} from this analysis because of the seasonality of {{[REDACTED]}} shipments: {{[REDACTED]}}. Accordingly, a comparison of {{[REDACTED]}} movements between these two periods would not provide meaningful information on possible truck-to-rail conversions. The changes in volume would be attributable to factors clearly not related to the mode of transportation available for these commodities.

The following table presents the resulting carload volume data, comparing longer-haul carload movements of the specific commodities prior to the transaction to longer-haul movements of those same commodities after the transaction. As indicated on the Totals line, there was a significant increase in the volume of rail movements in this traffic group. While these data do not definitively identify truck-to-rail conversions, they do indicate that on truck movements particularly susceptible to rail conversion, PAR movements increased after the transaction, suggesting that the transaction has had a beneficial impact on the ability of PAR to compete with trucks. A closer analysis of individual lanes and shipments within these commodity groups confirms the conclusion that there have been positive truck-to-rail conversions, as described further below.

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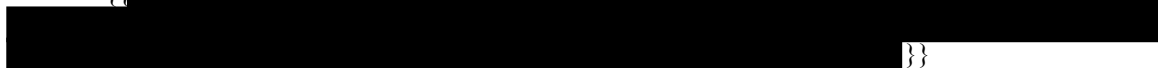
On the whole, “longer-haul” carload volumes of these commodities on the PAR System increased by {{[REDACTED]}}% over this period. This fact itself is noteworthy, given the serious problems that railroads have faced from labor shortages and service challenges across the network. Notwithstanding the challenges facing the rail network, PAR was able to increase, post-transaction, rail volumes of movements susceptible to conversion from trucks. More focused analysis of particular commodities confirms the likelihood that these volume changes reflect certain truck-to-rail conversions.

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³

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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]}

Mr. Wallace testified that the truck-to-rail conversions that CSX expected as a result of the Transaction would take several years to occur, as CSX integrated the PAR System into its network and implemented operating and infrastructure improvements. *See id.* at 11. Nevertheless, as described above, the evidence suggests that a number of these truck-to-rail conversions have already occurred.

Respectfully submitted,

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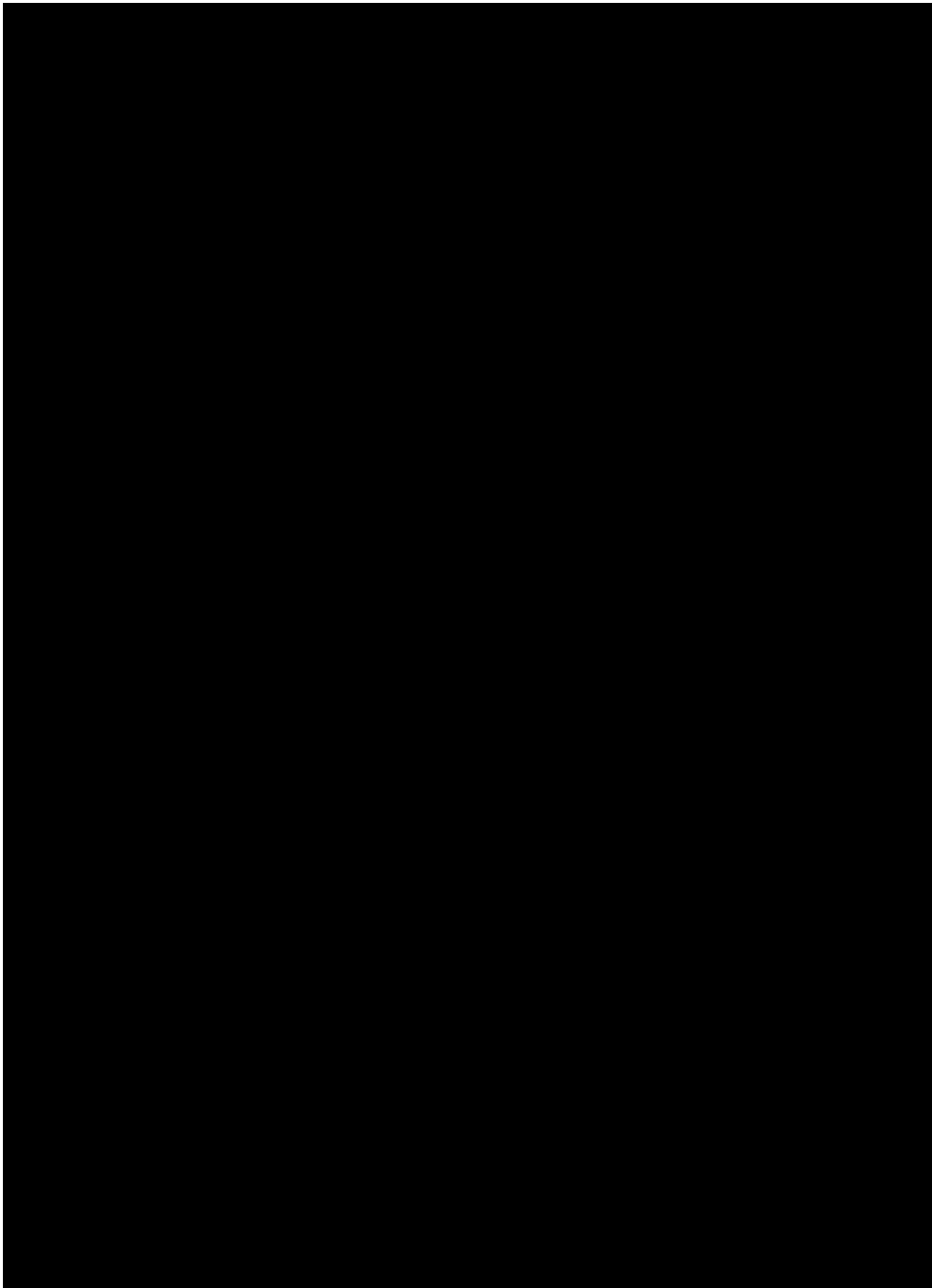
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Attorneys for CSX Corporation and CSX Transportation, Inc.

Dated: December 1, 2022

REDACTED - TO BE PLACED ON PUBLIC FILE
ATTACHMENT A



VERIFICATION

I, Michael Clements, Director of Business Development of CSX Transportation, Inc., declare under penalty of perjury that the forgoing is true and correct. Further, I certify that I am qualified and authorized to file this Verification.

/s/ Michael Clements

Michael Clements

Executed on December 1, 2022.

CERTIFICATE OF SERVICE

I hereby certify that I have caused this Report in Docket No. FD-36472, *CSX Corporation and CSX Transportation, Inc.—Control and Merger—Pan Am Systems, Inc., Pan Am Railways, Inc., Boston and Maine Corporation, Maine Central Railroad Company, Northern Railroad, Pan Am Southern LLC, Portland Terminal Company, Springfield Terminal Railway Company, Stony Brook Railroad Company, and Vermont & Massachusetts Railroad Company*, to be served electronically or by first class mail, postage pre-paid, on all parties of record in this proceeding.

/s/ Sally Mordi

Sally Mordi
*Attorney for CSX Corporation and
CSX Transportation, Inc.*

December 1, 2022